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PUBLIC EMPLOYMENT
RELATIONS BOARD

IN THE MATTER OF FACT-FINDING

BETWEEN)
)
UNION COUNTY,)
) HUGH J. PERRY, FACT-FINDER
PUBLIC EMPLOYER,)
AND)
) Recommendations issued:
INTERNATIONAL UNION OF OPERATING) September 19, 2007
ENGINEERS, Local 234-D,)
)
EMPLOYEE ORGANIZATION.)

APPEARANCES:

FOR UNION COUNTY:

Jack Lipovac, Bargaining Representative

FOR IUOE LOCAL 234-D:

MacDonald Smith, Attorney

Kevin Holzhauser, Bargaining Representative

INTRODUCTION

IUOE Local 234-D represents a bargaining unit of Secondary Road Employees in Union County, Iowa. The parties have arrived at agreement on all impasse issues for the contract effective from July 1, 2007 to June 30, 2008 except for the four that are the subject of this hearing. They have agreed to extend the impasse time lines of Chapter 20 to allow for completion of the process. They engage statutory fact-finding to resolve the remaining impasse issues. The parties agree that the economic issues, once resolved, will be retroactive to July 1, 2007. A hearing was held on September 6, 2007 at the Union County Courthouse in Creston, Iowa. Following the presentation of testimony, exhibits and arguments, the hearing was closed on that date. In making the recommendations which follows, I have considered the criteria set forth in section 20.22(9) of the Public Employment Relations Act.

BACKGROUND

IUOE represents a bargaining unit comprised of 20 employees in the Union County Secondary Road Department in the classifications of Maintenance Foreman II (2), Mechanic II (2) and Equipment Operator II (16). The parties are completing a 3 year contract, July 1, 2004 to June 30, 2007. This was a voluntary agreement which included a major change in the health insurance benefit. Prior to this contract the County paid the full cost of health insurance. The 2004-2007 contract provided for a substantial wage increase over 3 years to compensate for the change in health insurance. This bargaining year the parties have resolved all impasse issues but four, Wages, Insurance, Vacations, and Overtime Compensation (two sub-issues). The County has removed Article 6 - Discharge from the Contract on the basis that it is a permissive subject of bargaining. Another bargaining unit in the county, the deputy sheriffs, is represented by the Teamsters. This unit has settled for a three year contract providing for wage increases of \$.50/hour, \$.55/hour and \$.55/hour and has agreed to the insurance changes proposed by the County for this bargaining unit.

IMPASSE ISSUES

The issues for recommendation are: **Wages** (the amount of hourly increase), **Insurance** (increasing deductibles and co-pay, increasing prescription costs, adding formulary to the drug plan and eliminating the cap on the employees' required premium contributions), **Vacations** (reducing the number of years that must be worked to qualify for the 4 week vacation benefit) and **Overtime Compensation** (increasing from 40 to 80 the hours of compensatory time which may be accumulated and counting vacation time toward time worked to qualify for overtime pay).

WAGES

Current Contract - Most of these employees are Maintenance Operator II's. The wage for this classification is \$15.89/hour. In addition to the hourly rate, employees are entitled to longevity pay of \$.10/hour after 5 years of continuous service, \$.15/hour after 10 years, \$.20/hour after 15 years, \$.25/hour after 20 years, \$.30/hour after 25 years and \$.35/hour after 30 years. Mechanic II's earn \$16.30/hour and Maintenance Foreman II's earn \$16.23/hour. The contract contains a pay schedule with all classifications set forth as Appendix 1.

The **Union** proposes a wage increase of \$.64/hour for all classifications. This amounts to a 4% increase on the Operator II wage of \$15.89/hour. In support of this proposal and its others, the Union used a comparability group which includes the Iowa counties which surround Union County, namely Adair, Adams, Clarke, Decatur, Madison, Ringgold and Taylor. The Union points out that prior to 2003 that these employees willingly took less wages to protect a valuable insurance benefit. It even held on to its fully paid insurance benefit through arbitration in 2003 for the 2003-2004 contract. However, the Union and the County agreed in 2004 to a higher wage increase in exchange

for these employees paying something toward their health insurance. This resulted in a wage increase which moved these employees from the bottom of the comparability group to 2nd or 3rd in wages. The Union contends that its wage proposal is necessary to maintain the relative position of these employees with respect wages of their counterparts in comparable counties. The Union's data indicated that the following wages would be paid the highest Equipment Operator classification in the comparable counties for 2007-2008: Adair - \$15.66/hour, Adams-\$15.60/hour, Clarke-\$16.41/hour, Decatur-\$16.83/hour, Madison - \$16.20/hour, Ringgold - \$17.00/hour and Taylor - \$16.08/hour. Many of these counties are involved in multi-year agreements with mid contract wage adjustments.

The **County** proposes a \$.50/hour increase which would amount to a 3.2% increase on the \$15.89 Equipment Operator II wage. The County uses a comparability group which includes the 7 surrounding counties used by the Union and also includes the area counties of Montgomery, Page, Lucas, Wayne, Cass, Guthrie and Audubon. The County notes that its other bargaining unit has settled a 3 year contract providing for \$.50/hour for the first year's wage increase with increases of \$.55/hour and \$.55/hour for each of the succeeding 2 years. The County characterizes this as a fair wage increase. It pointed out that its other bargaining unit has also agreed to the insurance changes proposed here and suggested that it's not really fair for this unit to wait for that settlement and then try to improve its position here. The County feels that the deputy sheriff settlement should be given weight in this proceeding. The County submitted settlement data which indicated that settlements range from a high of 4% in Guthrie County to 3% in Madison County.

Discussion - While the deputy sheriff settlement should be considered, greater weight should be given to what secondary road workers are settling for elsewhere. The parties' comparability groups differ, although its not clear that the choice of one over the other would dramatically effect the outcome here. All things considered, I am generally more inclined toward the Union grouping of counties contiguous to Union. The data suggests that a wage increase in the neighborhood of 3.5 - 3.8% is appropriate. Such an increase would serve to maintain these employees' relative position with respect to wages. It is similar to settlements in other comparable counties. When the cost of insurance is calculated on an hourly basis and added to the hourly wage, these employees compare favorably to similar employees in other counties, no matter which comparability group is used. In light of the other recommendations made herein, especially that on changes in health insurance, I recommend a \$.58/hour increase for these employees. This would be a 3.65% increase on the \$15.89 Equipment Operator II wage.

INSURANCE

Current Contract - The County provides a self insured health insurance program to these employees which is administered by American Administrator. Prior to the 2004-2007 contract this

insurance was provided at no premium cost to the employees. The parties agreed in 2004 for the 2004-2007 contract that employees would pay a portion of the premium for their insurance. Employees are offered 3 insurance options, Plans B, C and D. All of these employees take family Plan B. The 2004-2007 contract for Plan B provides for deductibles of \$250/single, \$500/family, out of pocket maximums of \$1000/single and \$2000/family and premiums of \$672.64/month for single and \$1213.39/month for family insurance. The premiums were to be adjusted each year of the contract as determined by the third party administrator. Co-pay is 90/10. For 2006-2007 employees who selected Plan B were required to pay 10% of the premium for single coverage or \$88.96/month, whichever is less, or \$160.47/month or 10% of the family premium, whichever is less. The actual premiums for 2006-2007 were \$540.95/single and \$999.70/family. Required employee contributions were \$54.95/month for single and \$99.97/month for family insurance. The parties have agreed that employees will pay \$108.33/month effective July 1, 2007 for family health insurance. This is based on an 8.5% increase in premium costs. The County's cost of providing insurance to each employee is \$13,000/year or \$6.25/hour whether or not the employee takes single or family insurance. ($10\% \times \$13000 \div 12 = \108.33) The current plan provides for a 2 tier prescription drug benefit, generic and brand. Employees co-pay \$10 and \$20 respectively when utilizing the drug plan B. The County strives to keep a \$500,000 balance in the insurance fund to keep it on sound financial footing.

The **Union** proposes that the current insurance language remains for the next contract. There would mean no change in deductibles, co-insurance or out of pocket expenses. Also, the 2 tier drug plan would remain with no increased cost of usage. Most importantly, the cap on the maximum amount on what an employee would pay toward health insurance would continue. The Union notes that 3 years ago it made substantial concessions to arrive at the current insurance plan. It argues that the County is now chipping away at the plan agreed to by increasing deductibles, out of pocket costs, and increasing employees costs. The Union resists the elimination of the cap on the maximum employee premium contribution, contending that this was an important part of the insurance agreement. It serves to insure that the wage gains made will not be eroded by runaway insurance premiums. The Union data indicates that many other counties require their employees to pay more toward their family insurance benefit than this county, that one (Madison) requires no premium payment from their employees, that most have co-pay of 80/20, and that out of pocket costs are similar to those in Union County.

The **County** proposes certain changes in the current insurance plan, notably increasing deductibles (Plan B single from \$250 to \$275, family from \$500 to \$550), increasing co-pay from \$15 to \$20, increasing maximum out of pocket from \$1000 to \$1050 for single and from \$2000 to \$2100 for family and adding a 3rd tier on the drug program, Formulary at \$40, with payments on the Generic and Brand tiers increased from \$10 to \$15 and from \$20 to \$25 respectively. The County indicated that the insurance administrator recommended adding tier 3, formulary, to the drug plan as a means of containing costs. Additionally, the County proposes elimination of the dollar cap for employees'

contribution to their contribution to the health insurance contribution and that it be 10% of the family premium per month for Plan B. The County notes that its proposed changes are relatively modest and aimed at avoiding major changes in the future. It notes that some 90 county employees are on this insurance plan and that the existence of different plans within the county creates an administrative nightmare. The County's other bargaining unit not only agreed to these insurance changes, it proposed them to the County. (The other unit's contract did not contain dollar caps on maximum employee premium contribution). The County's exhibits suggest that the cost of insurance in Union County at \$13000 per year per employee is the 3rd highest among the comparables, that required employee contribution of \$108.33 per month is among the lowest, that most other County insurance plans have a 3 tier drug plan, that deductibles and required out of pocket costs are among the lowest and that when calculating insurance cost, \$6.25/hour, with hourly wage cost (including the County's proposed increase) puts these employees second in the County's comparability grouping.

Discussion- The parties are to be commended in arriving at an insurance plan which reflects the trend in the public sector toward employees shouldering a greater part of their health insurance costs. Even with the changes proposed by the County, these employees enjoy a very attractive and valuable insurance benefit. The County has proposed some changes in the insurance benefit with an eye on controlling costs. (Even with the past changes made, the premium has increased by 8.5% or \$1,000/yr. per employee for 2007-2008.) I am inclined to recommend the changes proposed by the County. They are fairly modest and will not impose an unfair burden on these employees. They address the County's concern that one insurance plan should cover all county employees. I will not recommend, however, that the cap on employee paid premiums be eliminated for a couple of reasons. First, the present cap of \$160.47/month will not be reached during the 2007-2008 contract. (Currently, 10% of the family Plan B premium amounts to \$108.33/month.) This makes a proposal to eliminate the cap more of a philosophical than a practical one at this time. Secondly, such a cap was, no doubt, an important concession gained by the Union in bargaining and required for it to persuade its members to agree to an insurance concession. The cap should be addressed and, if necessary, changed in future bargaining between the parties.

VACATIONS

Current Contract - The current contract provides for a vacation benefit as follows: After one full year of continuous service, 1 week (5 days), after two years, 2 weeks (10 days), after eight years, 3 weeks, (15 days) after twenty-five years, 4 weeks (20 days).

The Union proposes that the 4 week vacation benefit be made available to employees after 20 years of employment. Two additional employees would qualify for this benefit over the life of the new contract. The Union notes that none of the counties it uses as comparables require a 25 year

wait to enjoy 4 weeks of vacation. The average years of employment required for 4 weeks vacation is 15.5. The Union urges that the comparability data strongly supports its proposal.

The **County** proposes that there be no change in the vacation benefit. It contends that with only 20 employees in the bargaining unit it is important that time away from work be minimized. Only two employees would be affected by the Union's proposed change. This is an issue that should not be resolved at Fact-finding.

Discussion - The comparability data suggests that the four week vacation benefit should be made available to these employees after 20 years of service. No other comparable county advanced by the parties requires 25 years to qualify for 4 weeks of vacation. That having been said, I will not recommend the Union proposal. Vacation is a benefit that lends itself particularly well to the give and take of bargaining. It is not clear what the Union has proposed to give up to enhance this benefit for its employees. I don't consider the insurance changes recommended to be an equal exchange. The current vacation benefit should continue for the next contract. This issue is commended to the parties for next year's negotiations when there will be other issues on the table with which to barter over a change in the vacation language.

OVERTIME COMPENSATION

Current Contract - There are two issues involving overtime compensation. Both are proposed by the Union. The first is whether vacation time should count as hours worked toward overtime. The second involves compensatory time off. Currently, hours worked over 8 hours in a 5 day week and hours worked over 10 in a 4 day week and hours worked over 40 in a work week qualify as overtime to be paid at 1½ times an employee's regular hourly rate. In lieu of overtime compensation, an employee can elect to take time off and may accumulate up to 40 hours of such comp time. Employees are allowed to use compensatory time off in as small as 1 hour increments. Vacation, sick leave, funeral leave and other paid time off is not counted as time worked for the purpose of computing overtime.

The **Union** proposes that vacation time be counted as time worked for the purpose of computing overtime and that employees be allowed to accumulate up to 80 hours of compensatory time off. In support of its position the Union noted that most other comparable counties allow vacation and other leaves to be counted when computing overtime and that most other counties allow their employees to accumulate comp time greater than 40 hours. Two counties apparently have no maximum accumulation. The Union contends that the comparability data strongly supports its proposals on overtime compensation.

The **County** proposes that the currently contract language on overtime continue. It contends that the Union has not demonstrated a need to make changes in this benefit.

Discussion - As with the vacation benefit proposal of the Union, comparability supports the

changes it advances with respect to overtime compensation. As with my discussion on vacation, it is not clear what the Union is willing to concede to get these changes. The changes recommended in the insurance article are insufficient. Such changes are modest modifications of a very expensive and important benefit in an effort to moderate future costs. The changes proposed by the Union in the overtime article are substantive changes in an unrelated article and are best left to negotiations between the parties

RECOMMENDATIONS

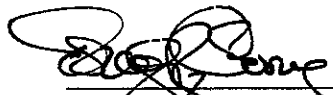
Wages - A uniform wage increase of \$ 58/hour effective July 1, 2007

Insurance - The County's proposal to increase deductibles, co-pay to \$20, out of pocket maximums from \$1000 to \$1050 and family from \$2000 to \$2,100 and add 3rd tier to the prescription drug plan, formulary with the cost at \$15/\$25/\$40. (Other plans would likewise be modified per the County proposal.) The current cap (maximum payment of employees toward their insurance premium) should remain at \$160 47/month or 10% of the cost of insurance, whichever is less (Family insurance Plan B)

Vacation - No change in the current vacation language

Overtime Compensation - No change in current overtime language

Signed this 19th day of September, 2007



Hugh J. Perry, Fact-finder

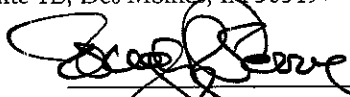
CERTIFICATE OF SERVICE

I certify that on the 19th day of September, 2007, I served the foregoing Recommendations of Fact-finder upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Jack Lipovac
HR One Source
5619 86th Street Suite 600
Johnston, IA 50131

Kevin Holzhauser
IUOE 234-D
4880 Hubbell Ave.
Des Moines, IA 50317

I further certify that on the 19th day of September, 2007, I will submit this report for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, IA 50319.



Hugh J. Perry, Fact-finder